

**GREATER NEW ORLEANS YOUTH ORCHESTRA
AND RELATED ORGANIZATION**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 and 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 29** 2012

Independent Auditor's Report

**To the Board of Directors
Greater New Orleans Youth Orchestra
New Orleans, Louisiana**

We have audited the accompanying consolidated statements of financial position of Greater New Orleans Youth Orchestra and Related Organization as of June 30, 2011 and 2010, and the related consolidated statements of activities, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Youth Orchestra's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greater New Orleans Youth Orchestra and Related Organization as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2012, on our consideration of the Greater New Orleans Youth Orchestra's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe that scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 2011 audit.

Carr, Riggs & Ingram, L.L.C.

February 11, 2012

**Greater New Orleans Youth Orchestra
and Related Organization
Consolidated Statements of Financial Position
June 30, 2011 and 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 95,241	\$ 65,481
Accounts receivable (net of allowance of \$15,000 and \$5,000 in 2011 and 2010)	5,186	1,296
Prepaid expenses	1,700	7,365
Current unconditional promise to give, net	<u>-</u>	<u>99,000</u>
Total current assets	<u>102,127</u>	<u>173,142</u>
Property and equipment, net	15,740	22,657
Endowment Fund - restricted	88,274	78,186
Non-current unconditional promise to give, net	<u>-</u>	<u>98,000</u>
Total assets	<u>\$ 206,141</u>	<u>\$ 371,985</u>

LIABILITIES AND NET ASSETS

Current liabilities -		
Accounts payable and accrued expenses	<u>\$ 8,076</u>	<u>\$ 6,564</u>
Net assets:		
Unrestricted	106,915	71,442
Temporarily restricted	39,759	242,588
Permanently restricted	<u>51,391</u>	<u>51,391</u>
Total net assets	<u>198,065</u>	<u>365,421</u>
Total liabilities and net assets	<u>\$ 206,141</u>	<u>\$ 371,985</u>

The accompanying notes are an integral part of the consolidated financial statements

**Greater New Orleans Youth Orchestra
and Related Organization
Consolidated Statements of Activities
Years Ended June 30, 2011 and 2010**

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 109,726	\$ 57,507	\$ -	\$ 167,233
Earned revenue	122,270	-	-	122,270
Haitian Youth Relief Music Project	-	20,060	-	20,060
France trip	224,452	-	-	224,452
Other income	15,925	-	-	15,925
Investment return from Endowment Fund	-	13,060	-	13,060
Net assets released from restrictions	<u>195,456</u>	<u>(195,456)</u>	<u>-</u>	<u>-</u>
Total support and revenues	667,829	(104,829)	-	563,000
Expenses				
Orchestra programs	390,414	-	-	390,414
France trip	226,942	-	-	226,942
Haitian Youth Relief Music Project	15,000	-	-	15,000
Write-off of Wisner Foundation grant	<u>-</u>	<u>98,000</u>	<u>-</u>	<u>98,000</u>
Total expenses	632,356	98,000	-	730,356
Change in net assets:	35,473	(202,829)	-	(167,356)
Net assets, beginning of period	<u>71,442</u>	<u>242,588</u>	<u>51,391</u>	<u>365,421</u>
Net assets, end of period	<u>\$ 106,915</u>	<u>\$ 39,759</u>	<u>\$ 51,391</u>	<u>\$ 198,065</u>

	<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 130,646	\$ 307,000	\$ -	\$ 437,646
Earned revenue	118,132	-	-	118,132
Haitian Youth Relief Music Project	-	21,001	-	21,001
Other income	15,911	-	-	15,911
Carnegie Hall	1,040	-	-	1,040
Investment return from Endowment Fund	-	9,131	-	9,131
Net assets released from restrictions	<u>133,624</u>	<u>(133,624)</u>	<u>-</u>	<u>-</u>
Total support and revenues	399,353	203,508	-	602,861
Expenses				
Orchestra programs	423,767	-	-	423,767
Haitian Youth Relief Music Project	20,392	-	-	20,392
Carnegie Hall	<u>2,359</u>	<u>-</u>	<u>-</u>	<u>2,359</u>
Total expenses	446,518	-	-	446,518
Change in net assets:	(47,165)	203,508	-	156,343
Net assets, beginning of period	<u>118,607</u>	<u>39,080</u>	<u>51,391</u>	<u>209,078</u>
Net assets, end of period	<u>\$ 71,442</u>	<u>\$ 242,588</u>	<u>\$ 51,391</u>	<u>\$ 365,421</u>

The accompanying notes are an integral part of the consolidated financial statements

**Greater New Orleans Youth Orchestra
and Related Organization
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (167,356)	\$ 156,343
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
Depreciation	6,917	6,917
Net unrealized (gain) on Endowment Fund	(11,387)	(7,209)
Write-off of Wisner grant	98,000	-
Bad debt expense	10,000	-
(Increase) in accounts receivable	(13,890)	(1,296)
Decrease (increase) in prepaid expense	5,665	(7,365)
Decrease (increase) in unconditional promise to give	99,000	(197,000)
Increase in accounts payable and accrued expenses	1,512	312
(Decrease) in other current liabilities	<u>-</u>	<u>(215)</u>
Net cash provided by (used in) operating activities	<u>28,461</u>	<u>(49,513)</u>
Cash flows from investing activities:		
Distributions from Endowment Fund	2,972	3,020
Realized net gains reinvested in Endowment Fund	(1,673)	(1,922)
Purchases of instruments and equipment	<u>-</u>	<u>(972)</u>
Net cash provided by investing activities	<u>1,299</u>	<u>126</u>
Net increase (decrease) in cash and cash equivalents	29,760	(49,387)
Cash and cash equivalents at beginning of year	<u>65,481</u>	<u>114,868</u>
Cash and cash equivalents at end of year	<u>\$ 95,241</u>	<u>\$ 65,481</u>

The accompanying notes are an integral part of the consolidated financial statements

**Greater New Orleans Youth Orchestra
and Related Organization
Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

Organization - Greater New Orleans Youth Orchestra (Youth Orchestra) is a non-profit entity formed in February 1996 to provide the youth of the metropolitan New Orleans area an opportunity to participate in a high-quality full-orchestra program. Northshore Friends of GNOYO (Friends) is a non-profit entity formed in January 2004 to provide financial and other support for the Northshore (metropolitan area north of New Orleans) programs of the Youth Orchestra. The organizations are related through certain board members and officers in common. Contributions represent a significant source of support and revenue.

Basis of presentation - The consolidated financial statements include the accounts of the Youth Orchestra and Friends (collectively Youth Orchestra). All significant intercompany transactions have been eliminated in consolidation.

The Youth Orchestra's financial statements are presented using the accrual method of accounting. Under this method, revenues are recognized in the period earned, and expenses are recognized in the period in which the benefit is realized. Revenues from ticket sales are recognized when the performances are given.

The Youth Orchestra reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Tax status - The Youth Orchestra is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Unrelated business taxable income (UBTI) is derived from any activity that constitutes a trade or business that is regularly carried on and is not substantially related to the organization's tax-exempt purposes. During 2011 and 2010, the Youth Orchestra did not earn significant income which was classified as UBTI.

In 2010, the Internal Revenue Service (IRS) examined the Youth Orchestra's tax filings. They issued a no change opinion which closed all previous tax years. The Youth Orchestra's tax filings for the year ended June 30, 2010 forward are currently open for audit under statutes of limitations by the IRS. Management believes that all tax positions would be sustained if audited. If applicable, any interest and penalties would be classified in the statement of activities as administrative expenses under Orchestra programs.

Donated services, facility usage and materials - Donated services, facility usage and materials, if significant in amount, are recorded as contributions at their estimated fair market value provided the donor has a clearly measurable and objective basis for determining their value. No value is assigned to other donated items if there is no ascertainable basis for assigning the value. The Youth Orchestra recorded an amount for donated services and facility usage, both revenues and expenses, of \$71,155 and \$72,651 for the years ended June 30, 2011 and 2010.

**Greater New Orleans Youth Orchestra
and Related Organization
Notes to Consolidated Financial Statements
(Continued)**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS - continued

Property and equipment - Property and equipment consists of donated and purchased musical instruments. Donated instruments are stated at the estimated fair market value at the donation date net of accumulated depreciation. Purchased instruments are stated at cost net of accumulated depreciation. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, which is seven years. The Youth Orchestra's practice is to capitalize significant acquisitions which benefit future periods.

Advertising costs - Advertising costs are expensed in the year incurred. Advertising expenses were approximately \$2,099 and \$8,010 in 2011 and 2010.

Cash and cash equivalents - The Youth Orchestra considers all money market investment instruments and certificates of deposits with an original maturity of three months or less to be cash equivalents.

Accounts receivable - Accounts receivable are stated at cost less an allowance for doubtful accounts. The Youth Orchestra does not recognize interest income on these accounts. Management's evaluation of the adequacy of the allowance is based on periodic review of all accounts and includes a consideration of the account's past history, any adverse situations that might affect the account's ability to repay, and current economic conditions. Past due status is based on how recently payments have been received. Management and the Youth Orchestra's Treasurer approve charge-offs. Amounts past due ninety days or more amounted to approximately \$17,000 and \$5,600 at June 30, 2011 and 2010, of which a \$15,000 and \$5,000 allowance has been recorded.

Pledges receivable - Periodically, the Youth Orchestra has a drive to raise money to cover special events as well as general expenses. Pledges are solicited and once a positive response is received, the pledge amount is recorded. The executive director reviews the pledge commitments and assesses the collectability based on payment history and economic factors prior to any write-offs.

Unconditional promises to give are recognized as revenues in the period the pledge is received. The pledges are recorded at fair value based on the net present value of estimated future cash flows using an appropriate discount rate. Conditional promises to give are recognized as revenues only when the conditions attached to the pledge are substantially met.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Fair value for the Greater New Orleans Youth Orchestra Endowment Fund is provided by The Greater New Orleans Foundation (Foundation).

Endowment Fund - Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). The State of Louisiana enacted UPMIFA during 2010 (see note E).

Net assets - Under generally accepted accounting principles, the Orchestra is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Greater New Orleans Youth Orchestra
and Related Organization
Notes to Consolidated Financial Statements
(Continued)**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS - continued

Fee waivers - The Youth Orchestra maintains a policy of not turning away interested youths based on financial need. Accordingly, the Youth Orchestra provides scholarships in the form of fee waivers or partial fee waivers. Fee waivers of \$14,625 and \$16,765 were recorded during the years ended June 30, 2011 and 2010.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

B. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows

	<u>2011</u>	<u>2010</u>
Musical instruments	\$ 43,894	\$ 43,894
Computer equipment	4,704	4,704
Less. accumulated depreciation	<u>(32,858)</u>	<u>(25,941)</u>
	<u>\$ 15,740</u>	<u>\$ 22,657</u>

C. LEASE COMMITMENT

Until March 2009, the Orchestra leased space under an informal monthly arrangement. Since April 2009, the Orchestra's office space has been donated. See Note A. Rent expense for 2011 and 2010 was \$57,255 (all of which was donated) and \$73,895 (of which \$57,255 was donated).

D. FUNCTIONAL EXPENSES

The Youth Orchestra's orchestra programs are summarized below by functional category for the years ended June 30

	<u>2011</u>	<u>2010</u>
Salaries and wages (including professional services)	\$ 230,854	\$ 265,272
Production	96,423	89,054
Administration	<u>63,137</u>	<u>69,441</u>
	<u>\$ 390,414</u>	<u>\$ 423,767</u>

**Greater New Orleans Youth Orchestra
and Related Organization
Notes to Consolidated Financial Statements
(Continued)**

E. ENDOWMENT FUND

The Endowment Fund is a permanently restricted endowment fund established by various supporters of the Youth Orchestra who raised funds to receive additional grant funds through a fundraising challenge. As part of the challenge agreement, the Endowment Fund has been invested with the Foundation, which has been authorized to accept additional contributions and invest the funds according to the Foundation's investment policy. Net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions. The Foundation, through its Board of Trustees, has the right to make distributions from the Endowment Fund to accomplish the philanthropic intent of the donors. The donors have designated the Youth Orchestra as the beneficiary of all grants from the Endowment Fund. Distributions of \$2,792 and \$3,020 were made in 2011 and 2010.

The Youth Orchestra's Board has interpreted UPMIFA as not expressly requiring the preservation of purchasing power (real value) for donor-restricted endowment funds absent explicit donor stipulations to the contrary. However, historic dollar value is considered not expendable.

The Foundation follows a total return spending policy for its endowment funds. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past twelve quarters, and a percentage of the average of those values is made available for grants. This method puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2011 and 2010 distributions is 4%. This percentage is evaluated each year and adjusted as necessary.

The primary financial objective for the Foundation is to increase the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of investment management. Endowment assets are invested in a well diversified asset mix, which includes equity securities, fixed income securities, and alternative investments that is intended to meet the objective. The Foundation has established a 5% real rate of return objective for the portfolio. Actual returns in any given year may vary from this amount. Investment assets and allocation between asset classes and strategies are managed to not expose the endowment assets to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended June 30, 2011, were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor designated endowment net assets, beginning of year	\$ 10,000	\$ 16,795	\$ 51,391	\$ 78,186
Investment returns	-	2,099	-	2,099
Fees	-	(426)	-	(426)
Appropriated for expenditure	-	(2,972)	-	(2,972)
Net appreciation in endowment	-	11,387	-	11,387
Donor designated endowment net assets, end of year	\$ 10,000	\$ 26,883	\$ 51,391	\$ 88,274

**Greater New Orleans Youth Orchestra
and Related Organization
Notes to Consolidated Financial Statements
(Continued)**

E. ENDOWMENT FUND - (CONTINUED)

Composition of and changes in endowment net assets for the year ended June 30, 2010, were as follows

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor designated endowment net assets, beginning of year	\$ 10,000	\$ 10,684	\$ 51,391	\$ 72,075
Investment returns	-	2,317	-	2,317
Fees	-	(395)	-	(395)
Appropriated for expenditure	-	(3,020)	-	(3,020)
Net appreciation in endowment	-	7,209	-	7,209
Donor designated endowment net assets, end of year	<u>\$ 10,000</u>	<u>\$ 16,795</u>	<u>\$ 51,391</u>	<u>\$ 78,186</u>

F. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30 are summarized as follows

	<u>2011</u>	<u>2010</u>
Wisner Foundation Grant to provide scholarships for EIP and YAA, secure a premier concert venue, conduct a school outreach, and develop a sight reading collaborative	\$ -	\$ 197,000
Investment return from the Endowment Fund investment held at The Greater New Orleans Foundation	26,883	16,796
Arts Council of New Orleans Community Arts Grant	7,207	-
Outreach - Young Artists Academy	-	26,707
Instruments	-	1,476
Haitian Youth Relief Music Project	5,669	609
	<u>\$ 39,759</u>	<u>\$ 242,588</u>

The Youth Orchestra was advised by the City of New Orleans that it was not going to pay the final installment of the multi-year grant from the Wisner Foundation that was issued by the prior mayoral administration. The current administration has implemented new funding strategies to deploy earnings from the Wisner donation to support its public initiatives to address critical community needs. As a result of the City's decision, in 2011 the Youth Orchestra wrote off the final installment of the Wisner grant which had a carrying amount of \$98,000.

G. EMPLOYEE BENEFIT PLAN

In 2004, a Simple IRA plan was adopted. Employees who have received \$5,000 compensation in both the prior and current year are eligible to participate. Under the plan the Youth Orchestra is required to make either a matching contribution equal to the amount of the employee's elective deferral not to exceed three percent but not less than one percent of the contributing employee's compensation or the Youth Orchestra may make a non-elective contribution to the plan of two percent of compensation of each eligible participant. The Youth Orchestra contributed \$344 and \$664 to the plan for the years ended June 30, 2011 and June 30, 2010.

**Greater New Orleans Youth Orchestra
and Related Organization
Notes to Consolidated Financial Statements
(Continued)**

H. ECONOMIC ENVIRONMENT

Participation fees and contributions are dependent upon maintaining sufficient participation and donor interest. Student participation in the Youth Orchestra is voluntary and consists primarily of individuals in the metropolitan New Orleans area. The effect on participation levels and contributions due to current economic conditions continues to be assessed by management.

I. CONCENTRATION OF CREDIT RISK

Investments held within the Endowment Fund represent a significant portion of total assets. Such investments are subject to interest rate and other risks including the possible loss of principal as reflected in the Statement of Financial Position. Future changes in the financial markets could affect the future earnings from these investments. There is no collateral for these investments.

The Youth Orchestra maintained cash accounts at local banks in 2011 and 2010. In 2011 and 2010, the Youth Orchestra's deposited funds were within the federal insurance limits.

J. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board *Accounting Standards Codification* (ASC 820), *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments and unconditional promises to give are recorded at fair value on a recurring basis. For assets that are measured at fair value in periods after initial recognition, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3 in 2011 or 2010. If such transfers were to occur, they would be recognized as of the actual date of the event. Nonrecurring fair value adjustments, if any, would typically involve impairment accounting or donated property and equipment. There were no nonrecurring fair value adjustments in 2011 or 2010. The three levels of the fair value hierarchy are described below.

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3 - Unobservable inputs for which there is little or no market data and require the Youth Orchestra to develop its own assumptions.

The investments are valued at fair value. The valuation methodologies used for assets measured at fair value are as follows. The Youth Orchestra has no Level 1 assets. Level 2 assets consist of the Endowment Fund investment. Fair value is provided by the Foundation and is based on the market value of the underlying investments using a market approach. Level 3 assets consist of the unconditional promise to give which is recorded at fair value based on the net present value of estimated future cash flows using an appropriate discount rate. There have been no changes in these methodologies used at June 30, 2011 and 2010.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Youth Orchestra believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Greater New Orleans Youth Orchestra
and Related Organization
Notes to Consolidated Financial Statements
(Continued)**

J. FAIR VALUE MEASUREMENTS - continued

	Fair value at			
	June 30, 2011	Level 1	Level 2	Level 3
Valued on a recurring basis				
Unconditional promise to give	\$ -	\$ -	\$ -	-
Endowment Fund	<u>88,274</u>	<u>-</u>	<u>88,274</u>	<u>-</u>
	<u>\$ 88,274</u>	<u>\$ -</u>	<u>\$ 88,274</u>	<u>\$ -</u>

The 2011 changes in unconditional promises to give measured at fair value for which the Youth Orchestra has used Level 3 inputs to determine fair value are as follows

Beginning balance	\$ 197,000
Pledge	-
Pledge payment	(100,000)
Change in present value	1,000
Write-off of pledge	(98,000)
Net transfer in/out of Level 3	<u>-</u>
Ending balance	<u>\$ -</u>

	Fair value at			
	June 30, 2010	Level 1	Level 2	Level 3
Valued on a recurring basis:				
Unconditional promise to give	\$ 197,000	\$ -	\$ -	197,000
Endowment Fund	<u>78,186</u>	<u>-</u>	<u>78,186</u>	<u>-</u>
	<u>\$ 275,186</u>	<u>\$ -</u>	<u>\$ 78,186</u>	<u>\$ 197,000</u>

The 2010 changes in unconditional promises to give measured at fair value for which the Youth Orchestra has used Level 3 inputs to determine fair value are as follows.

Beginning balance	\$ -
Pledge	300,000
Pledge payment	(100,000)
Change in present value	(3,000)
Net transfer in/out of Level 3	<u>-</u>
Ending balance	<u>\$ 197,000</u>

K. SUBSEQUENT EVENTS

In preparing the financial statements, the Youth Orchestra has evaluated events and transactions for potential recognition or disclosure through February 11, 2012, the date the financial statements were available to be issued

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

**To the Board of Directors
Greater New Orleans Youth Orchestra**

We have audited the consolidated financial statements of Greater New Orleans Youth Orchestra and Related Organization (the Youth Orchestra) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Youth Orchestra's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Youth Orchestra's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Youth Orchestra's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Youth Orchestra's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. It is described on the accompanying Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of Youth Orchestra's management and Board of Directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Can, Kepp & Ingram, L.L.C.

February 11, 2012

**Greater New Orleans Youth Orchestra
and Related Organization
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Section I - Summary of Auditor's Reports

Financial statements

1. Type of auditor's report	Unqualified
2. Internal control over financial reporting	
a. Material weaknesses identified	None
b. Significant deficiencies identified	None
c. Noncompliance material to the consolidated financial statements noted	None
3. Management letter	None

Federal awards

None

Section II - Financial Statement Findings

No financial statement findings were noted during the audit of financial statements for the year ended June 30, 2011 except for the following

2011-1 Financial Report Submission

Condition – Financial statement reporting package to the State of Louisiana was late

Criteria – The financial statement reporting package was due to the State of Louisiana by December 31, 2011

Cause – The Youth Orchestra experienced significant difficulties in getting the City of New Orleans to acknowledge the third and final installment of a material grant awarded to the Youth Orchestra in 2009

Management's corrective action plan – The financial statement reporting package has now been submitted to the State of Louisiana

Section III - Federal Award Findings and Questioned Costs

Not applicable